

**VERIZON SUPPLEMENTAL ISSUES**

Issue VII-1 *AT&T Revised Contract Language* Should AT&T be allowed to circumvent over a year's worth of negotiations by inserting language on Network Architecture issues that was never discussed by the Parties?

Q. PLEASE DESCRIBE ISSUE VII-1.

A. Issue VII-1 is described in the DPL as follows: "Should AT&T be allowed to circumvent over a year's worth of negotiations by inserting language on Network Architecture issues that was never discussed by the Parties?" Verizon suggests in its Supplemental Statement that AT&T has changed its position on transport obligations for interconnection traffic because it has submitted new contract language that does not use Verizon's proposed term "IP".<sup>97</sup> Verizon also points to several other issues that it claims are new and therefore should be rejected outright by the Commission. AT&T disagrees with Verizon's characterization of these issues.

Q. PLEASE EXPLAIN AT&T'S POSITION ON THIS MATTER.

A. AT&T has always maintained a consistent position throughout the negotiations on the issues relating to network architecture. To drive efficient interconnection decisions, AT&T proposed from the very beginning that each party is in the best position to determine the point of interconnection for its own originating traffic as long as the originating party was willing to pay for transport to reach that point of

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<sup>97</sup> Verizon Supplemental Statement at 27.

1 interconnection.<sup>98</sup> Further, AT&T also proposed (and Verizon concurred) that  
2 each party would utilize one-way trunks. Therefore, each party is free to  
3 independently choose the point of interconnection that best serves that carrier's  
4 financial consideration. In AT&T's proposal, the point of interconnection chosen  
5 by one carrier does not prejudice the point of interconnection chosen by the other  
6 carrier. These principles have always dictated AT&T's negotiation proposals and  
7 were always the focus of each discussion on network architecture between the  
8 Parties over the many months in which the Contract has been negotiated. The  
9 new language presented to Verizon is entirely consistent with these principles.

10 Q. COULD YOU EXPLAIN HOW THESE PRINCIPLES RELATE TO AT&T'S  
11 ELIMINATION OF THE TERM "IP" IN ITS CONTRACT LANGUAGE?

12 A. Yes. AT&T attempted to negotiate in good faith network architecture language  
13 that included Verizon's term "IP" (a term which never appears in the Act) while  
14 maintaining its basic position on the interconnection principles set forth above.  
15 However, because of the fundamental disagreement between the parties about the  
16 underlying issues, the parties were never able to agree upon language.

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As I indicated earlier in my discussion of Issue I.1, the Act does not provide Verizon with the right to unilaterally designate a POI. Section 251(a) of the Act is applicable to all LECs and provides simply that "each telecommunications carrier has the duty to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers. In contrast, Section 251(c)(2) of the Act provides that ILECs, such as Verizon, interconnect "at any technically feasible point" upon a request by a CLEC, such as AT&T. Therefore, AT&T's proposed contract language provides Verizon with the added ability to choose a POI subject to mutual agreement, while further providing Verizon with a default right to designate the applicable AT&T end office as a POI. AT&T Proposed ICA Sch. IV, §1.3.

1 Given that the parties, despite their good faith efforts, were unable to reach  
2 agreement on this language, and given that the recent pronouncements by the  
3 FCC in its *InterCarrier Compensation NPRM* and an Order relating to SBC's 271  
4 application in Kansas and Oklahoma<sup>99</sup> confirmed very clearly that Verizon's IP  
5 concept has no merit, AT&T crafted language that more precisely tracked the  
6 FCC's clarifications and AT&T's long standing position on the issues relating to  
7 the respective responsibilities of the parties to transport their own originating  
8 traffic. AT&T provided this language to Verizon and suggested that the Parties  
9 attempt to resolve their issues using the language that more closely tracks the  
10 recent FCC clarifications. Verizon refused to undertake this effort and continues  
11 to use its IP concept. In our previous discussion of the POI issue in Issue I.1 and  
12 our discussion of the POI issue in issue VII-6, we describe in more detail why  
13 Verizon's language is off the mark and should not be used a basis for resolution  
14 of this issue.

15 The bottom line is that AT&T has done nothing wrong. It has simply attempted  
16 to work with Verizon to resolve a fundamental issue relating to interconnection.  
17 It has proposed some new language during negotiations on an unresolved issue  
18 that is not only consistent with AT&T's position from day one, but focuses more  
19 precisely on the actual area of dispute by tracking recent FCC's pronouncement  
20 on the issue. Tying the Parties to the use of Verizon's particular term and the  
21 associated language does not promote a resolution of the issue.

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<sup>99</sup> *InterCarrier Compensation NPRM* at ¶70; *SBC Kansas and Oklahoma Order* at ¶ 233-

1       The principle reason AT&T elects to use POI consistent with the FCC's use of  
2       that term, rather than use arbitrary term "IP", is to make clear to this Commission  
3       that AT&T seeks to preserve its rights afforded under the Act and FCC precedent.  
4       Using another term not defined in the Act or FCC precedent would only confuse  
5       the underlying issues.

6   Q.   THERE IS SOME OTHER LANGUAGE THAT VERIZON CLAIMS  
7       REFLECTS NEW ISSUES THAT SHOULD BE REJECTED OUTRIGHT BY  
8       THE COMMISSION. COULD YOU COMMENT ON THAT PROPOSAL?

9   A.   Yes. Verizon points to a few issues that it claims should be rejected by the  
10       Commission without consideration because they represent "new" issues that  
11       Verizon either does not understand or that Verizon disagrees with. As we will  
12       describe below, these issues are either not new, or represent a section  
13       reorganization, or are a recasting of AT&T's position on an unresolved issue.  
14       Therefore, there is no reason for the Commission to reject these issues outright,  
15       but rather it should address and resolve them.

16   Q.   PLEASE DESCRIBE THE FIRST ISSUE REFERENCED BY VERIZON.

17   A.   The first issue relates to intra-building interconnection. Verizon states it does not  
18       understand AT&T's language relating to intra-building interconnection, yet it also  
19       indicates that it has a concern that AT&T's language will provide it with  
20       preferential treatment.

1 Q. WHAT IS INTRABUILDING INTERCONNECTON?

2 A. Intrabuilding interconnection is a method of interconnection where both parties  
3 have broadband facility terminals within a building and thus can interconnect in  
4 that building using intra-building cable.<sup>100</sup> Such cable could be a DS-1 cable,  
5 fiber optic cable or another technically feasible interface, but with respect to  
6 AT&T, most frequently DS-3 coaxial cable. Common locations where  
7 intrabuilding interconnection could be accomplished would be POP hotels, where  
8 Verizon and AT&T have adjacent central offices and where Verizon and AT&T  
9 each have space within the same building. Although it would be technically  
10 feasible to have intrabuilding interconnection at some customer locations, such as  
11 large multi-tenant buildings, AT&T would not expect to make significant use of  
12 intrabuilding interconnection at such locations.

13 Q. IS THIS CONCEPT OF INTRABUILDING INTERCONNECTION  
14 SOMETHING NEW THAT THE PARTIES HAD NOT PREVIOUSLY  
15 DISCUSSED?

16 A. No. The earliest AT&T draft sent to Verizon in 1999 included language relating  
17 to this issue. Subsequently, AT&T changed the language from this early version  
18 as a result of a Verizon suggestion during negotiations that the language should be  
19 revised to be more clear. However, as the parties continued to have disputes  
20 concerning interconnection rights and methods, AT&T became concerned that  
21 more precise language was needed in order to more specifically define its  
22 interconnection rights and limit future controversies. Moreover, AT&T and  
23 Verizon did have discussions on this issue on December 7, 2000.

1 Q. IS INTRABUILDING INTERCONNECTION SUPPORTED BY THE ACT?

2 A. Yes. The language AT&T proposes is consistent with its right to interconnect at  
3 any technically feasible point. As we noted in our testimony on Issue I.1, the Act  
4 is clear on this issue - incumbent LECs must interconnect "at any technically  
5 feasible point within the [requesting] carrier's network."<sup>101</sup> Moreover, there is  
6 nothing in the federal statute that prohibits interconnection via a DS-3 coaxial  
7 cable. Indeed, contrary to Verizon's stated concern regarding potential  
8 preferential treatment, there is nothing in the proposed language that would  
9 prohibit another CLEC from interconnecting via coaxial cable. For example,  
10 where a CLEC places a facility terminal within 1310 cable-feet of the Verizon  
11 POI, that CLEC could, consistent with the Act, run a DS-3 coaxial cable from its  
12 facilities to the Verizon network and interconnect without the need to purchase an  
13 entrance facility from Verizon. For this reason, AT&T's proposed contract  
14 language on interconnection via cable should be included in the ICA.

15 Q. PLEASE DESCRIBE THE ISSUE OF TRANSITION COSTS REFERENCED  
16 BY VERIZON.

17 A. Verizon characterizes language in Schedule Four Part B Sec. 3, relating to  
18 transition costs as language that will require Verizon to bear the cost of AT&T's  
19 new network architecture when it changes from one design to another.<sup>102</sup> This is  
20 not the intent of the language, and AT&T did not suggest otherwise when this  
21 issue was discussed with Verizon on December 7, 2000.

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<sup>100</sup> Verizon Supplemental Statement at 29.

1 Q. WHAT IS AT&T'S PROPOSAL WITH RESPECT TO ANY NETWORK  
2 ARCHITECTURE TRANSITION COSTS?

3 A. Since physical conversions place considerable costs on AT&T as well as Verizon,  
4 AT&T has no incentive to physically rearrange existing facilities except in cases  
5 where exhaustion of AT&T collocation space prevents AT&T from accessing  
6 additional unbundled elements in cages that are also used to receive Verizon's  
7 originating traffic or in those limited circumstances where substantial savings may  
8 be realized through a more efficient interconnection arrangement. Rather, AT&T  
9 would prefer to negotiate with Verizon to address these situations in a way that  
10 does not impact its current interconnection trunks and thus minimizes transition  
11 costs for both Parties.

12 Given this, the transition language that AT&T offers in its proposed Contract Sch,  
13 IV § 3.2 provides for coordination between AT&T and Verizon on these issues.  
14 However, at the same time, the language provides that Verizon would not be tied  
15 to the existing physical arrangements. AT&T believes that this proposal is less  
16 disruptive to the network, requires fewer engineering and operations resources,  
17 and therefore is less costly for both Parties.

18 Q. WHAT ABOUT TRUNK CONVERSION COSTS?

19 A. Verizon confuses the conversion of a new trunking arrangement with the cost  
20 allocation issues. AT&T does not, as Verizon suggests, expect Verizon to pay all  
21 of the nonrecurring charges when Verizon builds a new facility as part of a

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101 47 U.S.C. § 251(c)(2)(B) (West 1991 and Supp. 2000).  
102 Verizon Supplemental Statement at 29.

1 transition plan for converting two-way trunks to one-way trunks.<sup>103</sup> Rather,  
2 AT&T has proposed that each party bear their own non-recurring charges. See  
3 AT&T Contract Sch. IV, § 3.2.3. For example, when AT&T sends an ASR to  
4 Verizon to rearrange facilities, Verizon may apply the standard charges for  
5 working that order.

6 AT&T has agreed to clarify this issue by adding the following language to its  
7 proposed Contract, "The Party requesting transition shall pay any applicable non-  
8 recurring charges to the other Party for any trunks that are converted from the  
9 existing interconnection arrangements." With this language we believe Verizon's  
10 concern is adequately addressed.

11 Q. WHAT ABOUT VERIZON'S OBJECTION TO THE TERM  
12 "GRANDFATHERED" IN THE CONTEXT OF THE TRANSITION ISSUES?

13 A. Verizon objects to the use of the term "grandfathered" in AT&T's proposed  
14 Contract language because Verizon states that if Parties are going to transition to  
15 a new architecture, they should mutually agree to do so and not grandfather  
16 indefinitely.<sup>104</sup>

17 Q. DOESN'T AT&T'S LANGUAGE PROVIDE FOR MUTUAL AGREEMENT?

18 A. Yes. AT&T's proposal does provide for mutual agreement. Specifically, AT&T  
19 has proposed that AT&T and Verizon may mutually agree that specific two-way  
20 trunk groups will be retained as two-way groups - or "grandfathered" - even

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<sup>103</sup> See Verizon Supplemental Statement at 29.

<sup>104</sup> *Id.* at 30.



1       where one party has requested that other two-way trunk groups be converted to a  
2       one-way architecture.<sup>105</sup>

3   Q.    IS THIS GRANDFATHERING DECISION ONE THAT CANNOT BE  
4       CHANGED?

5   A.    No. It was not AT&T's intention to prevent Parties from revisiting their decisions  
6       on trunking. Therefore, in order to provide either Party with the ability to make  
7       new decisions on trunking as their situations change, AT&T would agree to revise  
8       its proposed Contract language to explicitly provide that either Party, not just  
9       AT&T, has the opportunity to come back and request that two-way trunks be  
10      converted to one-way trunks. These requests would follow the same process as an  
11      initial requests set forth in AT&T Proposed Contract Sch. IV, § 3.2.2. With this  
12      revision, all of Verizon's concerns on this issue will be adequately addressed by  
13      AT&T's proposed Contract language.

14   Q.    CAN YOU EXPLAIN VERIZON'S OTHER OBJECTION TO THE TERM  
15       EXCHANGE ACCESS?

16   A.    Yes. Verizon objects to AT&T's proposal to exclude "exchange access trunks"  
17       from the conversion process. The basis of Verizon's objection is that it claims the  
18       term "exchange access" has not been defined and thus the proposal is  
19       ambiguous.<sup>106</sup> It also claims that AT&T's position on this issue is inconsistent  
20       with prior negotiations.

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<sup>105</sup> See Proposed Contract of AT&T at Sch. IV, § 3.2.1.

<sup>106</sup> Verizon Supplemental Statement at 30.

1 Q. DO VERIZON'S OBJECTIONS HAVE ANY VALIDITY?

2 A. No. Verizon and AT&T have agreed that AT&T may combine local traffic on  
3 Feature Group D exchange access trunks and report local usage factors for proper  
4 billing. Many of these FG-D trunk groups operate two-way. AT&T's proposed  
5 language is intended to make clear that such combined-use exchange access  
6 trunks would be excluded from any re-arrangement plans.

7 Q. PLEASE EXPLAIN VERIZON'S OBJECTION TO AT&T'S PART C  
8 SCHEDULE 4 RELATING TO TRUNK GROUPS.

9 A. Verizon claims that AT&T's submission of Part C of Schedule 4 relating to trunk  
10 groups is a blatant attempt to circumvent the negotiations process and thus should  
11 be rejected.<sup>107</sup>

12 Q. DID AT&T CHANGE THIS SECTION?

13 A. Yes, but there is virtually no substantive difference between the version that  
14 AT&T shared with Verizon last year and the version that AT&T shared with  
15 Verizon earlier this year and submitted to the Commission for arbitration. AT&T  
16 simply re-organized the terms of this section concurrently with the re-written  
17 section on POI to conform more closely to the structure of Verizon's model  
18 contract.

19 Q. PLEASE EXPLAIN THIS FURTHER.

20 A. In AT&T's earlier version, the specification of the required trunk groups was  
21 scattered across the document. The later version that Verizon objects to lists each

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<sup>107</sup> *Id.*

1 distinct type of required trunk group in a single sub-section, in the same way that  
2 Verizon lists the trunk groups in its proposed contract. The intention of this non-  
3 substantive reorganization was to enable the negotiators and arbitrators to more  
4 readily identify any differences between the terms of two documents. Therefore,  
5 Verizon's request that the Commission not address AT&T proposed terms under  
6 Schedule 4 is an unreasonable request that should be rejected.

7 Q. DID VERIZON RAISE ANY OTHER ISSUES AS NEW ISSUES WHICH  
8 SHOULD BE REJECTED BY THE COMMISSION OUTRIGHT?

9 A. Yes, Verizon included Competitive Tandem Service in its Supplemental filing as  
10 a new issue, but we don't understand why. Verizon substantively addresses the  
11 issue specifically in its Response to Issue V-1. This issue, as Verizon notes, has  
12 been the subject of discussion between the Parties but was never resolved.<sup>108</sup>  
13 Therefore, it is not a "new issue" and both Parties have addressed the substance of  
14 the issue in their petitions and responses. Accordingly, there is no reason to reject  
15 this issue outright by the Commission, as proposed by Verizon, but it should be  
16 reviewed and ruled upon by the Commission along with all other substantive  
17 issues. Our discussion of this issue is set forth in our testimony on issues V.1 and  
18 V.8.

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<sup>108</sup> *Id.*

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2 Issue VII-2 ***Demand Management Forecasts*** Should the Parties' interconnection  
3 agreement reflect their recent agreement on Demand Management Forecasts?

4 Q. VERIZON INDICATES THAT ON A CONFERENCE CALL ON MARCH 27,  
5 2001, AT&T AND VERIZON CAME TO AN AGREEMENT ON DEMAND  
6 MANAGEMENT FORECASTS. DOES AT&T BELIEVE THAT THE ISSUE  
7 OF DEMAND MANAGEMENT FORECASTS HAS BEEN SETTLED?

8 A. No, AT&T does not believe the issue has yet been settled. AT&T and Verizon  
9 did indeed discuss Verizon's demand management forecast language on March  
10 27, 2001. At that time, AT&T reiterated the concerns that AT&T had with  
11 Verizon's proposed language.

12 Q. PLEASE EXPLAIN THE CONCERNS THAT AT&T HAS WITH VERIZON'S  
13 LANGUAGE.

14 A. AT&T opposes Verizon's language principally for three reasons. First, Verizon's  
15 language provides Verizon with far too much discretion in regard to the  
16 information that can be obtained through a demand management forecast.  
17 Second, AT&T is very concerned that Verizon will be able to use competitively  
18 sensitive information to thwart competition. Third, AT&T considers Verizon's  
19 language overly broad and unnecessary. We will explain each of these concerns  
20 below.

21 Q. PLEASE EXPLAIN WHY AT&T FEELS THAT VERIZON'S PROPOSED  
22 LANGUAGE PROVIDES TOO MUCH DISCRETION TO VERIZON.

23 A. Verizon's proposed contract language does not place limits on the type or volume  
24 of information AT&T must provide to Verizon. Verizon's proposed language in  
25 section 10.4 states, in part, "AT&T shall provide to Verizon non-binding good  
26 faith demand management forecasts regarding the services that AT&T expects to

1 purchase from Verizon, ***including but not limited to*** forecasts regarding the types  
2 and volumes of services that AT&T expects to purchase and the locations where  
3 such services will be purchased” (emphasis added). While Verizon does provide  
4 that the forecasts are non-binding, there is no limit to the amount of information –  
5 relevant or not, necessary or not – that Verizon may request from AT&T. Such  
6 language can unduly increase the administrative burden on AT&T, thereby  
7 increasing costs and slowing network deployment. AT&T would like to focus its  
8 resources on customers, not Verizon. Additionally, AT&T believes the vagueness  
9 of Verizon’s proposed language will provide an opportunity for unwarranted  
10 fishing expeditions into AT&T’s business plans.

11 Q. HAS AT&T RAISED THIS CONCERN WITH VERIZON?

12 A. Yes, it has. In fact, this concern was one of the topics of discussion on the March  
13 27, 2001, conference call. AT&T objected to the language on the basis that there  
14 was no clear way for AT&T to gauge just what AT&T would be required to do if  
15 it agreed to Verizon’s proposed contract language. Verizon directed AT&T to  
16 Verizon’s CLEC Handbook as guidance regarding the information Verizon  
17 intended to request. To be honest, this only exacerbated AT&T’s concerns.  
18 AT&T has repeatedly taken the position that it will not defer to the CLEC  
19 handbook to determine it’s contractual obligations. While the CLEC Handbook  
20 can be a very useful guide to CLECs that interconnect with Verizon, it is an  
21 improper vehicle through which to determine contractual obligations since  
22 Verizon controls the Handbook and can change it whenever it likes. Thus, AT&T  
23 is provided no meaningful contractual protections under Verizon’s language.

1 Q. PLEASE EXPLAIN WHY AT&T BELIEVES THAT VERIZON'S  
2 LANGUAGE PROVIDES VERIZON WITH AN UNWARRANTED ACCESS  
3 TO AT&T'S BUSINESS INFORMATION.

4 A. All information provided to Verizon in the form of a forecast is competitively  
5 sensitive. Only structural separation of Verizon's wholesale and retail operations  
6 could completely protect competitors. In the absence of structural separation,  
7 however, it is particularly important that interconnection agreement language  
8 protect AT&T by limiting the information AT&T is required to provide to  
9 Verizon to that which is absolutely necessary for Verizon to provide competitors  
10 with wholesale services at parity.

11 AT&T does acknowledge that Verizon proposed language stating that demand  
12 management forecasts are subject to the confidentiality provisions of the  
13 interconnection agreement and that such forecasts will only be used to provide  
14 services under the agreement. AT&T agrees that any forecast provided by AT&T  
15 must be subject to these conditions. However, AT&T feels very strongly that  
16 there is a continued need to limit information provided to Verizon to that  
17 information that is absolutely essential to ensure that Verizon will be able to meet  
18 AT&T's service needs. The simple fact is that regardless of contractual  
19 provisions that purport to protect AT&T's interests, Verizon employees have a  
20 conflict of interest regarding the treatment of AT&T's proprietary data.

21 Q. PLEASE EXPLAIN WHY THE INFORMATION VERIZON REQUESTS MAY  
22 BE UNNECESSARY.

23 A. Since Verizon's language provides it with broad discretion, it is of course  
24 impossible to state each example where Verizon may request unnecessary

1 information. However, let me provide one example to illustrate AT&T's  
2 concerns. To the extent that AT&T serves customers through the use of a UNE  
3 loop, provision of such a service will most likely be achieved through a "hot cut"  
4 of existing loop facilities. In providing service through the UNE-Platform, AT&T  
5 would use the same loop. Thus, asking AT&T to break out how many loops it  
6 plans to use in connection with each does less to allow Verizon to prepare enough  
7 loop facilities for AT&T's use than it does in providing Verizon an inside look  
8 into AT&T's business plans.

9 Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING VERIZON'S  
10 PROPOSED DEMAND MANAGEMENT FORECAST LANGUAGE?

11 A. Even if Verizon's proposed language was acceptable -- which it is not -- it is  
12 placed in the incorrect part of the contract. Verizon's demand management  
13 forecast language addressed information on UNE facilities, for example, and not  
14 forecasting. This is terribly confusing since interconnection is a bilateral  
15 responsibility and the provision of UNEs is only required of Verizon. To the  
16 extent that the Commission deems any language of forecasts for UNEs  
17 appropriate, it should be covered as part of Section 11 (UNEs).

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2 Issue VII-3 **Definitions of POI and IP** How should the Parties Define “Interconnection  
3 Points” (“IP”) and “Points of Interconnection” (“POI”)?

4 Q. PLEASE DESCRIBE THIS ISSUE.

5 A. This issue is set forth in the DPL as follows: “How should the Parties define  
6 “Interconnection Points” (“IP”) and Points of Interconnection (“POI”)?” This is  
7 virtually the same issue as we discussed in Issue VII-1 above, and is related to the  
8 issues discussed in Issue I.1, and the issues we will discuss when we address  
9 Issues VII-4 and VII-5.

10 As we testified, AT&T rejects Verizon’s assertion that the Parties ever came to an  
11 agreement on the terms POI and IP. There is, and has been since the inception of  
12 negotiations, a fundamental disagreement on the substance of these terms and the  
13 implications associated with the use of these terms. Verizon is simply trying, for  
14 a third time in this proceeding, to promote its unsupportable position regarding  
15 the existence of the term IP distinct from the term POI.

16 Q. WHAT IS AT&T’S POSITION ON THIS ISSUE?

17 A. As we have stated in our discussion of Issues VII-1 and Issue I.1, Verizon  
18 attempts to sever from “POI” the financial responsibility of each carrier to deliver  
19 its originating traffic to that point by using the term “IP” in its Contract language.  
20 As we also have stated, the ability to determine the POI is inextricably linked to  
21 the responsibility to pay for the transport to that point.<sup>109</sup> Verizon’s insistence on

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<sup>109</sup> See AT&T Petition at 3–23.



1 maintaining the term “IP” in its proposed Contract language is nothing more than  
2 an attempt by Verizon to distract the Commission from following clear precedent  
3 establishing that the location of the POI, which is to be selected by the CLEC, is  
4 also the location where parties must deliver their originating traffic for  
5 termination.

6 There simply isn’t any support for the distinction that Verizon attempts to make.  
7 Verizon has not pointed (and cannot point) to a single statutory or FCC citation  
8 that addresses the two terms and describes the differences between them. Indeed,  
9 no such citations exist.

10 There is ample support for AT&T’s position. We covered that support in detail in  
11 our discussion of Issue I.1 and will not repeat those arguments here. Rather, we  
12 refer the Commission to our discussion of the POI issue and its significance in  
13 terms of the parties transport obligation, and our further discussion as to why  
14 Verizon’s proposal relating to POI and IP is without merit and contrary to law and  
15 public policy.

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1 ISSUE VII-4 If AT&T fails to establish an Interconnection Point in accordance with the  
2 terms of the interconnection agreement, what reciprocal compensation rates and/or inter-  
3 carrier compensation rates should Verizon pay AT&T?

4 ISSUE VII-5 When AT&T offers a limited number of IPs, should AT&T be permitted  
5 to charge Verizon distance-sensitive charges if Verizon purchases transport to an AT&T  
6 IP?

7 Q. PLEASE DESCRIBE ISSUES VII-4 AND VII-5.

8 A. Issue VII-4 is set forth in the DPL as follows: "If AT&T fails to establish an  
9 Interconnection Point in accordance with the terms of the interconnection  
10 agreement, what reciprocal compensation rates and/or inter-carrier compensation  
11 rates should Verizon pay AT&T?" Issue VII-5 is set forth in the DPL as follows:  
12 "When AT&T offers a limited number of IPs, should AT&T be permitted to  
13 charge Verizon distance-sensitive charges if Verizon purchases transport to an  
14 AT&T IP?" We are discussing these two issues together because they both  
15 represent an attempt by Verizon to limit its obligations for delivering its traffic to  
16 the designated end user. These issues also both serve as prime examples as to  
17 how Verizon's use of the term "IP" results in diminishing AT&T's rights under  
18 the law.

19 Q. PLEASE EXPLAIN THIS FURTHER.

20 A. In Section 4.1.2 of its proposed contract draft, Verizon provides that it shall  
21 permit AT&T to interconnect at any technically feasible point on Verizon's  
22 network. However, as we have testified to previously, since Verizon does not  
23 recognize the FCC's definition of the POI as the financial demarcation point  
24 between 1) transport and termination and 2) and the point where the originating

1 carrier's responsibility to provide (or cause to be provided) interconnection  
2 facilities ends, this "right" is irrelevant. In Verizon's view, it should have no  
3 financial obligation on its part to provide interconnection facilities between the  
4 Verizon-designated "IP" and the POI. Thus, the POI chosen by AT&T under  
5 Verizon's proposal has no relation to the point where transport and termination  
6 costs begin. Through these two issues, Verizon wants to saddle AT&T with its  
7 transport obligations to deliver its traffic to AT&T.

8 Q. PLEASE EXPLAIN HOW THE FIRST PROPOSAL IN VII-4 RESULTS IN  
9 TRANSFERRING VERIZON'S TRANSPORT OBLIGATIONS TO AT&T.

10 A. Verizon's proposal in VII-4 is designed to reduce AT&T's reciprocal  
11 compensation rates if AT&T does not establish a POI at each applicable end  
12 office where Verizon can hand off its traffic to AT&T. Although Verizon uses  
13 the term IP in describing this issue, since Verizon defines an IP as the point where  
14 financial responsibility for the delivery of traffic changes hands, it is clear that  
15 POI is the correct term to be used.

16 Specifically, Verizon's proposal is if AT&T does not choose to allow Verizon to  
17 deliver all its traffic to Verizon's designated IP for AT&T to pick up, then  
18 Verizon proposes to pay the lesser of the End Office reciprocal compensation rate  
19 for relevant traffic, or the applicable intercarrier compensation rate minus a  
20 transport "offset" equal to Verizon's monthly recurring rate for unbundled  
21 dedicated interoffice transport from Verizon's End Office to the AT&T "IP" (the

1 location where Verizon must deliver its traffic).<sup>110</sup> Thus, the transport offset is  
2 Verizon's way to get AT&T to pay for the transport of Verizon traffic beyond its  
3 own end office. Here again, while Verizon says AT&T can select the POI, the  
4 POI has no relationship to where Verizon must deliver its traffic. Instead,  
5 Verizon is trying to ensure that AT&T must bear all transport costs between  
6 Verizon's own tandem or end office, as applicable<sup>111</sup>, and AT&T's POI.

7 Q. DOES THIS PROPOSAL ALSO VIOLATE RECIPROCAL COMPENSATION  
8 REQUIREMENTS?

9 A. Yes. The Act dictates that each carrier shall be permitted mutual and reciprocal  
10 recovery of costs relating to the termination of calls originated on another  
11 carrier's network. Specifically, ¶ 252(d)(2)(A) of the Act provides:

12 [A] state commission shall not consider the terms  
13 and conditions for reciprocal compensation to be just and  
14 reasonable unless...such terms and conditions provide for  
15 the mutual and reciprocal recovery by each carrier of costs  
16 associated with the transport an termination on each  
17 carrier's network facilities of calls that originate on the  
18 network facilities of the other carrier.<sup>112</sup>

19 The proposal by Verizon clearly violates AT&T's right to such recovery.

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<sup>110</sup> Verizon Supplemental Statement at 33-34.

<sup>111</sup> Verizon's Contract at Attachment 4, Section 4.1 specifies several conditions under which Verizon may unilaterally designate a Verizon IP at the Verizon originating end office. Under such a circumstance, Verizon would have no obligation to carry its traffic to the applicable POI, or pay AT&T transport charges for doing so on Verizon's behalf.

<sup>112</sup> 47 U.S.C. ¶252(d)(2)(A).

1 Q. PLEASE DESCRIBE VERIZON PROPOSAL SET FORTH IN ISSUE VII-5.

2 A. Verizon's second proposal, set forth in Issue VII-5, provides Verizon with yet  
3 another way to reduce its financial obligations to deliver traffic to a POI. Here  
4 Verizon proposes not to pay AT&T its full transport costs if Verizon purchases  
5 transport to an AT&T POI. Specifically, Verizon proposes that in instances when  
6 Verizon decides to purchase transport from the "POI to an AT&T IP" (that is,  
7 purchase transport to a POI), if AT&T selects a limited number of locations for  
8 Verizon to deliver its traffic, then Verizon should not have to pay AT&T any  
9 distance-sensitive charges incurred by AT&T for this transport.<sup>113</sup>

10 Thus, through this proposal, Verizon is seeking to shift its costs of origination to  
11 AT&T by refusing to pay AT&T the costs it would incur should Verizon use  
12 AT&T facilities to deliver its traffic to the POI. As we have discussed in our  
13 testimony on Issue I.1, each Party has a financial obligation to deliver its  
14 originating traffic to the POI. This obligation includes fully compensating the  
15 other Party for any costs that party incurs to deliver the other party's originating  
16 traffic.<sup>114</sup> Verizon's proposal is inconsistent with this obligation.

17 Q. HAS AT&T ATTEMPTED TO ADDRESS VERIZON'S BUSINESS  
18 CONCERN?

19 A. Of course. While AT&T would not agree to assume financial responsibility to  
20 transport Verizon's traffic, AT&T has proposed to permit Verizon to seek a POI  
21 for its traffic independent of the location of AT&T's POI.

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<sup>113</sup> Verizon Supplemental Statement at 34.

1 Q. IF AT&T LEASES INTERCONNECTION FACILITIES FROM VERIZON TO  
2 DELIVER ITS TRAFFIC TO THE POI, DOES VERIZON PROPOSE THAT  
3 AT&T CAN AVOID PAYING VERIZON ANY DISTANCE SENSITIVE  
4 CHARGES AS WELL?

5 A. No. Verizon's proposal is not reciprocal in nature. Rather, as we stated earlier in  
6 our testimony in our discussion of Issue V.2, Verizon proposes that it should be  
7 able to charge AT&T distance-sensitive, market-based, *exchange access rates* –  
8 Verizon's highest tariffed rate - whenever AT&T purchases transport from  
9 Verizon for the same purpose. The inequities of these two proposals taken  
10 together are obvious.

11 Q. WHAT IS AT&T'S PROPOSAL WITH RESPECT TO COMPENSATION FOR  
12 COSTS INCURRED WHEN THE TERMINATING CARRIER ALSO  
13 PROVIDES TRANSPORT TO THE POI FOR THE OTHER PARTY'S  
14 ORIGINATING TRAFFIC?

15 A. AT&T's proposal provides both Parties with the right to be fully and fairly  
16 compensated for any costs incurred by it when providing transport for the other  
17 parties originating traffic. AT&T's proposed Contract language provides each  
18 Party the ability to control its costs by choosing to build its own transport  
19 facilities or to lease them from the other Party.

20

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<sup>114</sup> See AT&T Petition at 9, footnote 18; 13-17.

1  
2 Issue VII-6 **Limitations on AT&T's POI** Should Verizon be forced to offer  
3 interconnection facilities and hubbing at central offices other than those intermediate hub  
4 locations identified in the NECA 4 tariff?

5 Q. PLEASE DESCRIBE ISSUE VII-6.

6 A. This is yet another version of the dispute over AT&T's right to designate the  
7 location of its POI. As the Commission has seen in several other similar issues  
8 (e.g., I-1, I-1A, VII-3, VII-4 and, VII-5), Verizon is attempting, again, to place an  
9 unlawful limitation on AT&T's right to designate the location of its POI. In this  
10 iteration of the POI issue, Verizon asserts that AT&T and other CLECs should be  
11 limited solely to interconnecting using a DS-3 interface at locations which  
12 Verizon designates in its NECA 4 tariff.

13 Q. WHAT OBJECTION DOES VERIZON RAISE?

14 A. In Verizon's proposed § 5.2, relating to Trunk Group Connections and Ordering,  
15 Verizon insists that the Parties include contract language which states: "When  
16 Traffic Exchange Trunks are provisioned using a DS-3 interface facility, AT&T  
17 shall order the multiplexed DS-3 facilities to the Verizon Central Office that is  
18 designated in the NECA 4 Tariff as an Intermediate Hub location, unless  
19 otherwise agreed to in writing by Verizon."<sup>115</sup> Verizon supports the inclusion of  
20 this language based on the fact that "not all Verizon Central Offices are  
21 Intermediate Hub locations designated for DS-3 interface facilities."<sup>116</sup>

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<sup>115</sup> Verizon Supplemental Statement at 35.

<sup>116</sup> *Id.*

1 Q. WHY IS DS-3 INTERCONNECTION IMPORTANT TO AT&T?

2 A. The interconnection of two networks is a multi-dimensional task. There is a  
3 geographic aspect, e.g., at which central office. There is a logical aspect, e.g.,  
4 how will traffic be routed under various traffic load conditions. And there is the  
5 aspect relating to the method of interconnection, that includes, the interface  
6 selection, transmission protocol, transmission speed and the physical connection.

7 In SONET-based transmission systems, two interfaces stand out as the most  
8 economical and prevalent among local carriers. They are DS-1 and DS-3. A DS-  
9 1 interface is most economical in situations with relatively low volumes of traffic.  
10 However, once a certain location reaches several DS-1s of demand, then  
11 substantial savings can be realized by utilizing a DS-3 interface. (This threshold  
12 is frequently reached when the demand for access to UNEs and network  
13 interconnection are considered collectively.) These savings may come in the form  
14 of lower leased facility rates and/or the elimination of DS-1 to DS-3 multiplexing  
15 and cross connecting equipment. AT&T makes substantial use of DS-3 interfaces  
16 across all of its local networks with many ILECs and it is an essential tool to  
17 achieve lower interconnection costs.

18 Q. HOW WOULD AT&T BE HARMED BY THIS LIMITATION PROPOSED BY  
19 VERIZON?

20 A. If the Commission were to adopt Verizon's proposal to limit DS-3 interfaces only  
21 to Verizon-designated locations, then AT&T may be faced with having to use  
22 more expensive DS-1 facilities in lieu of DS-3 facilities, or to mis-route traffic to  
23 a more distant location to use a DS-3 facility. In either case, AT&T would be



1 forced to deploy a less efficient interconnection arrangement than it would  
2 without Verizon's proposed limitation. This would be particularly troublesome  
3 since the additional costs AT&T would bear under this limitation would likely be  
4 additional revenue to Verizon in the form of higher leased facility costs to AT&T.  
5 Thus, Verizon's proposal provides it with a double incentive; first, to limit DS-3  
6 interconnection which will increase its revenue, and second, to diminish the  
7 network efficiencies of its competitors.

8 Q. IS A DS-3 INTERFACE A TECHNICALLY FEASIBLE METHOD OF  
9 INTERCONNECTION?

10 A. Yes.

11 Q. DOES VERIZON HAVE THE CAPABILITY TO OFFER A DS-3 INTERFACE  
12 AT EACH VERIZON SERVING WIRE CENTER?

13 A. Yes. A DS-3 interface is among the most commonly used interoffice interfaces  
14 currently deployed in Verizon's own network.

15 Q. WHAT WOULD BE THE EFFECT OF ALLOWING VERIZON TO LIST  
16 ALLOWABLE INTERCONNECTION POINTS IN ITS NECA TARIFF?

17 A. It would give Verizon the sole discretion to choose the locations where CLEC  
18 interconnection would be permitted and it would give it the power to enforce  
19 those limitations via tariff requirements.

20 Q. HOW DOES A CLEC'S RIGHT TO INTERCONNECT AT ANY  
21 TECHNICALLY FEASIBLE POINT APPLY TO THIS ISSUE?

22 A. Verizon's proposal allows it to take a certain set of Verizon central office  
23 locations off the list of "approved" points of interconnection. Verizon  
24 accomplishes this by allowing DS-3 CLEC interconnection only at certain

1 Verizon designated offices even though DS-3 CLEC interconnection is  
2 technically feasible at any Verizon central office,

3 Q. WHAT IS THE BASIS FOR YOUR ASSERTION THAT VERIZON MAY NOT  
4 LIMIT TECHNICALLY FEASIBLE POINTS OF INTERCONNECTION?

5 A. The *Local Competition Order* addresses this precise issue. In that Order, the FCC  
6 provides:

7 [I]nterconnecting or providing access to a LEC network  
8 element may be feasible at a particular point even if such  
9 interconnection or access requires a novel use of, or some  
10 modification to, incumbent LEC equipment. This  
11 interpretation is consistent with the fact that incumbent  
12 LEC networks were not designed to accommodate third-  
13 party interconnection or use of network elements at all or  
14 even most points within the network. ***If incumbent LECs***  
15 ***were not required, at least to some extent, to adapt their***  
16 ***facilities to interconnection or use by other carriers, the***  
17 ***purposes of sections 251(c)(2) and 251(c)(3) would often***  
18 ***be frustrated.*** For example, Congress intended to obligate  
19 the incumbent to accommodate the new entrant's network  
20 architecture by requiring the incumbent to provide  
21 interconnection "for the facilities and equipment" of the  
22 new entrant. ***Consistent with that intent, the incumbent***  
23 ***must accept the novel use of, and modification to, its***  
24 ***network facilities to accommodate the interconnector*** or to  
25 provide access to unbundled elements.<sup>117</sup>  
26

27 FCC precedent supports AT&T's position that Verizon must accept AT&T's  
28 interconnection traffic at a DS-3 level at a particular end office even if it has not  
29 traditionally accepted traffic at the DS-3 level at a particular location in the

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<sup>117</sup> *Local Competition Order* at ¶202.

1 past.<sup>118</sup> Therefore, the Commission should reject Verizon's proposed language  
2 on legal grounds alone.

3 Q. DOESN'T THE CLEC ALSO HAVE THE RIGHT TO SELECT THE METHOD  
4 OF INTERCONNECTION AS WELL AS THE LOCATION POINT?

5 A. Yes. As we stated in our discussion of Issue III.3, the right to require  
6 interconnection at any technically feasible point also includes the right to require  
7 any technically feasible method of interconnection. The FCC made this clear in  
8 the *Local Competition Order* when it stated:

9 "We conclude that under Sections 251(c)(2) and  
10 251(c)(3) any requesting carrier may choose any method of  
11 technically feasible interconnection or access to unbundled  
12 network elements at a particular point. Section 251(c)(2)  
13 imposes an interconnection duty at any technically feasible  
14 point; it does not limit that duty to a specific method of  
15 interconnection or access to unbundled network  
16 elements."<sup>119</sup>

17 Since the DS-3 interface is a part of the method of interconnection, Verizon  
18 cannot refuse to allow AT&T to use a DS-3 interface at any of its central offices.

19 Thus, Verizon's proposal violates AT&T's right to choose both the method and  
20 the location of the POI. The Commission should see through Verizon's strategy  
21 of raising numerous POI restricting issues in an effort to diminish rights that  
22 CLECs are provided under the law and deny Verizon's proposal to limit

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<sup>118</sup> Verizon's assertion that AT&T's refusal to limit its interconnection options is somehow wrong because it is inconsistent with its practice as an IXC is without merit. *See*, Verizon Supplemental Statement at 35. It is well recognized that AT&T has different rights as a local exchange carrier under the Act, than it does an interexchange carrier. IXC practices are not relevant to this issue.

1 interconnection facilities and hubbing at central offices to those intermediate hub  
2 locations identified in Verizon's NECA 4 tariff.


3 Q. DOES THIS COMPLETE YOUR TESTIMONY?

4 A. Yes it does.

5

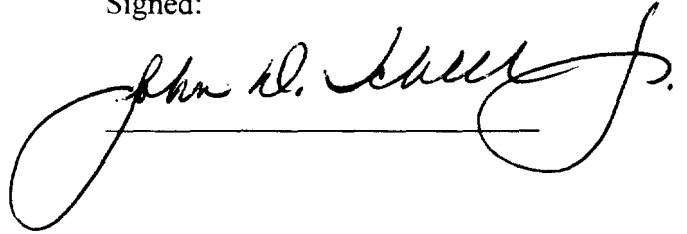
I, David L. Talbott, hereby swear and affirm that the foregoing direct testimony was prepared by me or under my direct supervision or control and is true and accurate to the best of my knowledge and belief.

Signed:

A handwritten signature in black ink, appearing to read "D. L. Talbott", is written over a horizontal line.

I, John D. Schell, Jr. hereby swear and affirm that the foregoing direct testimony was prepared by me or under my direct supervision or control and is true and accurate to the best of my knowledge and belief.

Signed:

A handwritten signature in cursive script, reading "John D. Schell, Jr.", written over a horizontal line. The signature is fluid and stylized, with a large initial 'J' and a trailing flourish.

	VIRGINIA NETWORK INTERCONNECTION COST ANALYSIS	
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**COSTS ALLOCATED TO EACH PARTY UNDER AT&T PROPOSAL**

	2001		2002		2003		2004		2005	
	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ
DEOT										
Tandem 1										
FG-D										
Total										
Collective Total										

**COSTS ALLOCATED TO EACH PARTY UNDER VERIZON PROPOSAL**

Using primary (tandem overflow) end office groups

	2001		2002		2003		2004		2005	
	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ
DEOT										
Tandem 2										
FG-D										
Total										
Collective Total										

<p>This work sheet summarizes the allocation of network interconnection costs as proposed by each party. Detailed cost basis for this summary is provided on the four associated worksheets as labeled.</p>
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Exhibit DLT-5 (Rev.)

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**COSTS ALLOCATED TO EACH PARTY UNDER VERIZON PROPOSAL**

Using final (no tandem overflow) end office groups

	2001		2002		2003		2004		2005	
	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ	AT&T	VZ
DEOT										
Tandem										
FCM										
Top										
Collective										
Total										

**AT&T MONTHLY PER LINE COSTS FOR 2001**

Under AT&T Proposal

Under Verizon Proposal with tandem overflow

Under Verizon Proposal without tandem overflow



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